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RGH

CWP

AS REVIEWED.

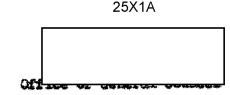
25X1A

OGC HAS REVIEWED.

6 April 1954

MEMORANDUM FOR	FE Personnel	25X1A
ATTENTION	16r.	
SUBJECT	Memorandum of USIS ing Taxability of	Disbursement Officer, Bangkok, regard- Post Differential, dated 25 February 1951

- 1. You have asked me to examine the contents of the subject memorandum and to express an opinion as to whether its contents might be helpful to any of our personnel assigned ______ similarly classified posts. So far as I can tell, this memorandum is based upon a fundamental misconception of the application of present tax laws to the post differential. As a cardinal principle under U. S. income tax laws, all amounts received in the nature of compensation for personal services are taxable income in the absence of an express statutory exclusion. The exclusion which this memorandum purports to find applicable deals, however, with emounts received as "cost of living allowances in accordance with regulations approved by the President," (Section 116(j) of the Internal Revenue Code). Cost of Living allowances are a quite different animal than a post differential.
- 2. The latter is intended to compensate for environmental factors rather than an increased cost of living occasioned by service in the employ of the Government abroad. The cited section quite clearly applies only to cost of living allowances.
- 3. It would be my guess that the several employees referred to in the memorandum who were able to obtain a refund of tax paid on the inclusion of the differential by the attachment of the suggested statement were not properly entitled to it.



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